

Notice No.: 80-011

Date: November 10, 1980

Applies to: Washington Public Employees' Retirement System
(PERS), Payroll/Personnel Officers Only

Subject: Rehiring PERS Retirees

We have recently noticed an increase in the number of PERS retirees rehired by member agencies. If you rehire retirees, you should inform them of the potential financial risks involved in accepting employment with a participating agency, or when there is no risk involved, the advantages and disadvantages of such employment.

We will first give an example, follow it by a question, then the response and finally identify the applicable statutes. When the example is relevant to only one plan within the system, it will be identified accordingly.

I have limited this notice to six examples for the sake of brevity and have covered only the major provisions applying to rehiring retirees.

Robert L. Hollister, Jr.
Director

Attachment

EXAMPLE 1:

After retiring from PERS Plan I, I was rehired in my previous position, under the provisions of RCW 41.40.120(12), to train my replacement. I am now in my seventh month of employment and have been working 70 or more hours each month since being rehired.

Question: Can I continue to receive my retirement allowance and continue to be employed?

Answer: Upon entering your seventh month of eligible employment, your retirement allowance will cease. You will be billed for all retirement benefits received during your period of reemployment. In addition, you and your employer will also owe retroactive contributions from the first will also owe retroactive contributions from the first day of qualifying service after your reemployment.

Statute: RCW 41.40.120(12)

Comment: If you rehire a retiree under the provisions of RCW 41.40.120(12), please inform the person at the time of rehire of the potential financial risk involved should the individual exceed six consecutive months of eligible employment.

Please remind your Plan I employees who have retired and then reenter membership that when they are ready to retire again it is mandatory that they apply in writing to this department for their retirement benefit not less than 30 days, nor more than 90 days, prior to their intended retirement date in order to avoid the loss of benefits for one or more months.

EXAMPLE 2:

I am less than age 70, receiving a PERS Plan I retirement allowance, and have been offered employment which will require that I reenter PERS membership should I accept.

Question: While I understand that my retirement allowance will cease during my period of reemployment, will my benefits change when I re-retire?

Answer: It all depends on the length of your reemployment. Two years or more of uninterrupted service will qualify you to:

- (a) Have your average final compensation recalculated based on your period of reemployment assuming the salary is higher;
- (b) Receive service credit for the period;
- (c) Change your retirement option;
- (d) Designate a new beneficiary to receive a continuing survivor allowance in the event of your demise;
- (e) Have your benefit reinstated under the 2% benefit formula if you retired under a pre-existing formula.

If you work less than two years, only your average final compensation can be adjusted (assuming your salary during the period of employment is higher). In neither case may you receive a refund of contributions you paid in during the period of reemployment.

Statute: RCW 41.40.150(4)(a).

EXAMPLE 3: I am a PERS Plan I member and I intend to retire next month and will not be age 70, however, my employer would like me to work for four months after I retire in order to assist in training my replacement.

Question: Am I entitled to my retirement allowance during the transition period plus being paid for the period by my employer?

Answer: It depends on how you are rehired. To avoid PERS re-entry, your employer must hire you under one of the following:
(a) On a fee, retainer or contract basis;
(b) Hire you as a temporary employee in an eligible position.

Statutes: In order listed above:
(a) RCW 41.40.120(9).
(b) RCW 41.40.120(12).

Comment: However, you should carefully weigh the financial advantages of a short-term windfall versus a long-term potential increase in your benefits before terminating if you would have the option of staying in membership during the transition period.

If one or more of the following are applicable, it may be to your advantage to continue in service during the transition period:

- (a) You will have less than 30 years of membership service at the time of retirement and are retiring under the 2% formula (60% maximum benefit);
- (b) The salary you will receive during your transition period is greater than your salary at any point in your current highest two years of service;
- (c) Your current annual leave accrual (or similar ancillary compensation that is allowed to be included in the calculation of your benefit) is less than the maximum allowed.

EXAMPLE 4: I am age 70 or over and am receiving a PERS retirement allowance based on my previous employment, or I am a former member age 70 or over who withdrew my contributions.

Question: May I return to employment with a member agency?

Answer: You may return to employment as long as either the position is ineligible or you are ineligible as set forth in RCW 41.40.120.

Statutes: RCW 41.40.120, 41.40.125.

EXAMPLE 5: I have retired under PERS Plan II.

Question: Is it true that even though the public employer that I intend to work for is not a participating agency under PERS, that my retirement allowance will cease during my period of service (employment)?

Answer: Yes. If you are performing services for any non-federal public employer in the State of Washington, your retirement allowance will cease during the period of service (employment). Upon termination of your service, your benefits will be actuarially recomputed (pension adjusted upward).

Statute: RCW 41.40.690

EXAMPLE 6: I am a PERS Plan I member and I will turn age 70 next month but my employer does not want me to retire.

Question: Must I or my employer file with the department for a waiver of the mandatory retirement requirement?

Answer: No special application for waiver is required. By continuing you on the payroll in an eligible position, your employer has fulfilled our current application requirement.

Statute: Formerly RCW 41.40.180(2) and (6); currently RCW 41.04.350.

Comment: Except as previously stated in Example 4, there is no mandatory retirement age under PERS Plan II.

NOTE: There are special rules which cover elected or appointed officials in the situations described above. Please call (206) 753-2885 or SCAN 234-2885 in these cases.